

Can Corp


Niagara Structural Steel

ST. CATHARINES

Annual Report

FOR THE YEAR ENDED AUGUST 31

1972



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NIAGARA STRUCTURAL STEEL
COMPANY LIMITED

HEAD OFFICE

SMITH & PETRIE STREETS
ST. CATHARINES, ONTARIO

SERVICES:

Steel Fabrication	Niagara Structural Steel (St. Catharines) Limited St. Catharines, Ontario.
Steel Erection	Niagara Structural Steel Company Limited St. Catharines, Ontario.
Steel Service Centres:	Niagarasteel St. Catharines, Ontario.
	Northern Steel Co. Ltd., Sept-Iles, Quebec

DIRECTORS:

B. A. BROWN
S. HALPERIN
M. J. HOWE
R. A. KENNEDY
H. W. OLCH, Q.C.
H. P. TOMARIN
E. W. YEO, C.A.

OFFICERS:

H. P. TOMARIN, President and General Manager
R. A. KENNEDY, Senior Vice-President
S. HALPERIN, Vice-President
H. W. OLCH, Q.C., Secretary
A. L. Wieler, R.I.A., Treasurer

AUDITORS:

DAVID B. FINÉ & COMPANY
TORONTO, ONTARIO

SOLICITORS:

OLCH, TORGOV & COHEN
TORONTO, ONTARIO

REGISTRAR AND TRANSFER AGENT:

THE CANADA TRUST COMPANY
TORONTO, ONTARIO

First Preference Shares, Series "A" Listed : The Toronto Stock Exchange

THE YEAR IN REVIEW

Your Directors herewith submit the Annual Report of your Company for fiscal year ended August 31, 1972.

Summary of fiscal 1972:

- Net loss incurred for the fiscal period under review \$315,439 after income tax recovery \$44,240 - compared to net profit \$61,498 for fiscal 1971.
- Sales volume approximately \$9,288,000 - compared with \$9,195,000 for fiscal 1971.
- Four quarterly dividends paid to First Preference shareholders to a total of \$32,719. Subsequent to year-end Company omitted two quarterly dividends.
- No allocation to share purchase fund for retirement of First Preference shares.
- Niagara's Northern Steel subsidiary at Sept-Iles, Quebec, continues to be profitable.

Profits from warehousing were not sufficient to offset losses incurred in fabrication and erection. Management is vigorously attempting to reverse this trend. Productivity is being improved and new cost control procedures have been installed. New managers for plant and erection divisions have been appointed. Progress will be regularly reported.

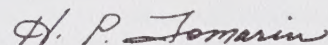
Major projects completed by Niagara during 1972 included Iron Ore Company of Canada Service Buildings at Carol Lake, Labrador; "B" Line Courtyard at General Motors of Canada Ltd., St. Catharines for Newman Bros. Ltd.; South Muskoka River Bridge near Gravenhurst for the Department of Transportation and Communications; Windsor Public Library for Scofan Contractors Ltd.; H. C. L. Plant at Dominion Foundries

and Steel, Ltd., Hamilton for Keramchemie Canada Ltd.; Bank of Montreal and Cinema buildings at The Lloyd Jackson Square, Hamilton for Tricon Construction Corp.; Shaw Theatre at Niagara-on-the-Lake for Stewart and Hinan Construction Limited; Factory Building for CIBA GEIGY at Galt for Ball Bros. Ltd.; Eaton's Store in St. Catharines for Bramalea General Contracting.

Included in the present backlog are Sandfill Plant for International Nickel Company of Canada in Sudbury; Coil Storage Racks for Dominion Foundries and Steel, Ltd., Hamilton; Simpson's Store in Dartmouth, Nova Scotia for Cameron Contracting Ltd.; Court House and Registry Office in London, Ontario for W. A. McDougall Construction Management Ltd.; Lod International Airport Extension in Tel Aviv, Israel for Foundation of Canada Engineering Corporation Limited; Market Square Office Building in St. Catharines for Stewart & Hinan Construction Limited; South Nations River Bridge near Ottawa for C. A. Pitts General Contractor Ltd.; Pipe Storage Racks at Atomic Energy of Canada Limited at Glace Bay, Nova Scotia for Canatom Mon-Max; Laurentian Hospital in Sudbury for Janin Building and Civil Works Ltd.

Your Directors are appreciative of the efforts of management and employees over the past year.

Respectfully submitted
on behalf of the Board of Directors



H. P. TOMARIN
President

January 9, 1973

ASSETS

AUGUST 31

1972 1971

Current

Cash	\$ 9,038	\$ 29,755
Accounts receivable, less allowance for doubtful accounts	3,286,359	2,581,453
Income taxes recoverable	25,179	
Current portion of long term asset due within one year (Note 10)	7,626	7,138
Inventories of steel, work in process and sundry materials, at lower of cost or net realizable value	1,895,096	1,628,812
Prepaid expenses	60,510	47,903
	<u>\$5,283,808</u>	<u>\$4,295,061</u>

Long Term Asset

Balance owing on building pursuant to an agreement of sale (Note 10)	\$ 61,856	\$ 69,482
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Fixed

Land, land improvements, buildings, machinery and equipment, automotive equipment, office furniture and fixtures (Note 2)	\$2,139,688	\$2,116,591
Less - accumulated depreciation (Note 3)	717,225	643,844
	<u>\$1,422,463</u>	<u>\$1,472,747</u>

Other

Incorporation and issue expenses, less amortization (Note 4)	\$ 36,000	\$ 40,000
	<u>\$6,804,127</u>	<u>\$5,877,290</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
Niagara Structural Steel Company Limited,
St. Catharines, Ontario.

Dear Sirs:

We have examined the consolidated balance sheet of Niagara Structural Steel Company Limited and subsidiary companies as at August 31, 1972 and the consolidated statements of operations, retained earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that in our opinion, the accompanying consolidated balance sheet and related consolidated statements of operations, retained earnings and source and use of funds present fairly the financial position of the Companies as at August 31, 1972 and the results of their operations and the sources and uses of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

DAVID B. FINE & COMPANY,
Chartered Accountants.

Toronto, December 27, 1972.

LIABILITIES

	AUGUST 31	
	1972	1971
Current		
Bank advances (secured) (Note 6)	\$1,962,014	\$1,527,549
Accounts payable and accrued liabilities	2,210,097	1,506,929
Income and other taxes payable	109,549	42,895
Advances on construction in progress	177,703	146,627
Long term debt due within one year (Notes 5 and 7)	54,400	55,900
	<u>\$4,513,763</u>	<u>\$3,279,900</u>
Long Term Debt		
Bank loan (secured) (Note 5)	\$ 364,775	\$ 316,675
7% Mortgage payable, due December 31, 1972		2,500
	<u>\$ 364,775</u>	<u>\$ 319,175</u>
	<u>\$4,878,538</u>	<u>\$3,599,075</u>

SHAREHOLDERS' EQUITY

Capital Stock Authorized:			
50,000 First preference shares with a par value of \$30 each, issuable in series			
(1,750) First preference shares, series A purchased for cancellation out of purchase fund (Note 9)			
(1,471) First preference shares, series A converted into common shares (Note 12)			
<u>46,779</u> Balance authorized			
1,000,000 Common shares without par value			
Issued and fully paid:			
1972 1971			
20,000 20,000 6-1/2% cumulative, redeemable, convertible first preference shares, series A with a par value of \$30 each, redeemable at \$31.50 (Note 11)	\$ 600,000	\$ 600,000	
(1,750) (1,750) First preference shares, series A purchased for cancellation out of purchase fund (Note 9)	(52,500)	(52,500)	
(1,471) (1,471) First preference shares, series A converted into common shares (Note 12)	(44,130)	(44,130)	
<u>16,779 16,779</u> Balance outstanding	<u>\$ 503,370</u>	<u>\$ 503,370</u>	
475,007 475,007 Common shares without par value	\$ 997,507	\$ 997,507	
11,768 11,768 Common shares issued on conversion of first preference shares, series A (Note 12)	44,130	44,130	
<u>486,775 486,775</u> Balance outstanding	<u>\$1,041,637</u>	<u>\$1,041,637</u>	
Excess of net asset value of subsidiary over purchase price of shares at date of acquisition	\$ 193,897	\$ 193,897	
Contributed surplus (Note 9)	5,553	5,553	
Retained earnings	144,079	496,705	
First preference shares, series A purchase fund (Note 9)	37,053	37,053	
	<u>\$ 380,582</u>	<u>\$ 733,208</u>	
	<u>\$6,804,127</u>	<u>\$5,877,290</u>	
Approved on behalf of the Board:			
Director: H. P. Tomarin			
Director: Harry W. Olch			

**NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF OPERATIONS

	YEAR ENDED AUGUST 31	
	1972	1971
Net sales	\$9,287,620	\$9,194,972
Cost of sales and expenses	9,411,493	8,850,837
Profit or (loss) from operations before providing for the undernoted items . . .	\$ (123,873)	\$ 344,135
Provision for depreciation (Note 3)	\$ 77,777	\$ 76,648
Remuneration of directors and senior officers	131,755	129,072
Interest on long term debt	26,274	32,968
	<u>\$ 235,806</u>	<u>\$ 238,688</u>
PROFIT OR (LOSS) (Before income taxes)	<u>\$ (359,679)</u>	<u>\$ (105,447)</u>
Deduct: Income taxes recoverable or (payable)	44,240	(43,949)
NET PROFIT OR (LOSS)	<u><u>\$ (315,439)</u></u>	<u><u>\$ 61,498</u></u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	YEAR ENDED AUGUST 31	
	1972	1971
Balance at beginning of year	\$ 496,705	\$ 483,150
Add: Net profit or (loss) for year	(315,439)	61,498
	<u>\$ 181,266</u>	<u>\$ 544,648</u>
Deduct: Loss or (gain) on disposals of fixed assets	\$ 468	\$ (776)
Incorporation and issue expenses, amount written off (Note 4)	4,000	4,000
Dividends on preference shares	32,719	32,719
Amount transferred to first preference shares, series A purchase fund		12,000
	<u>\$ 37,187</u>	<u>\$ 47,943</u>
Balance at end of year	<u><u>\$ 144,079</u></u>	<u><u>\$ 496,705</u></u>

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	YEAR ENDED AUGUST 31	
	1972	1971
Source of funds:		
Net profit or (loss) from operations	\$ (315,439)	\$ 61,498
Depreciation (a charge not requiring a cash outlay)	77,777	76,648
Source or (use) of funds pertaining to operations	(237,662)	\$ 138,146
Increase in long term debt	100,000	50,000
Proceeds from disposals of equipment	8,325	6,400
Current portion of long term asset	7,626	7,138
	<u>\$ (121,711)</u>	<u>\$ 201,684</u>
Use of funds:		
Cost of additions to fixed assets	\$ 36,287	\$ 68,998
Repayments on long term debt	54,400	55,900
Dividends on preference shares	32,719	32,719
	<u>\$ 123,406</u>	<u>\$ 157,617</u>
Decrease in working capital	<u><u>\$ 245,117</u></u>	<u><u>\$ 44,067</u></u>

**NIAGARA STRUCTURAL STEEL COMPANY LIMITED
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT AUGUST 31, 1972

1. The consolidated financial statements include the accounts of Niagara Structural Steel Company Limited and its subsidiary companies which are all wholly owned.
2. According to an independent appraisal made by Cooper Appraisals Limited dated February 16, 1962, the fixed assets owned on that date by the subsidiary, Niagara Structural Steel (St. Catharines) Limited, were appraised at a depreciated value of \$1,439,547. The directors of that subsidiary company, however, placed a value on these assets of \$1,428,697 and an excess of \$913,165 over depreciated net book value has been included in the value of the fixed assets. Subsequent additions have been recorded at cost.
3. The Company has adopted the straight-line method of depreciation as the basis for taking depreciation on fixed assets. Depreciation charged to operations for the year is in accordance with the rates previously determined by an independent firm of consulting engineers.
4. The cost of incorporation and issue expenses is being amortized at the rate of \$4,000 per year.

5. Bank term loan is subject to annual review by the bank and matures on March 5, 1974.

Principal balance, including an additional loan in the current year of \$100,000, bears a floating interest rate of 1-1/4% over the bank's current prime rate	\$416,675
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Deduct: payments due within one year included in current liabilities	51,900
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\$364,775

The bank term loan is secured by a pledge of demand debenture subject to the provisions of a loan agreement. The debenture constitutes a first, fixed and specific mortgage and charge on the lands and equipment and a floating charge on all other assets, subject to the first mortgage on lands and buildings referred to in Note 7 following, and to the Company giving security in priority to the debenture to its general bankers on its inventory and accounts receivable or other property or assets embraced in the floating charge under the provisions of the Bank Act or otherwise. The bank term loan is repayable as to principal in monthly instalments of \$4,325 plus interest.

6. Advances by the general bankers are secured by a pledge of accounts receivable and inventories. In addition a \$1,250,000 demand debenture has been issued to the general bankers as collateral security consisting of a floating charge on all the assets of the Company subject in priority to the debenture referred to in Note 5.
7. The Company owns a one-half interest in certain lands and buildings adjacent to the site of the Company's plant. This property is subject to a first mortgage balance of \$5,000, bearing interest at 7% per annum and is repayable \$2,000 quarter yearly on account of principal plus interest. The mortgage matures on December 31, 1972.

Principal mortgage balance, one-half share	\$ 2,500
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Deduct: payments due within one year included in current liabilities, one-half share	2,500
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NIL

8. Contingent liabilities:

Letters of credit, balance outstanding	\$12,739
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The Company is continuing the prosecution of a claim amounting to \$526,888 in an action referred to in our report of the preceding year. The defendant has counterclaimed the sum of \$309,198. Counsel is of the opinion that the Company will be successful in its defense against this counterclaim.

The Company is resisting an action in which the plaintiff is claiming the sum of \$47,000 allegedly owing for labour and materials. In the opinion of counsel the claim will be successfully resisted.

In another action commenced by the Company, it is claiming the sum of \$35,000, being the balance owing under a contract. The defendant has counterclaimed the sum of \$145,000 for damages. Counsel was not in a position to express an opinion on the counterclaim as pleadings were not as yet delivered and counsel, therefore, was unable to assess the merits of the defendant's claim against the Company.

9. The Company did not purchase during the current year any First Preference shares, Series A, for cancellation. The total number of First Preference shares, Series A, with a par value of \$30 each purchased for cancellation out of the purchase fund set aside up to the close of the current fiscal year, is 1,750 shares purchased at a total cost of \$46,947. The difference of \$5,553 has been credited to contributed surplus.
10. The subsidiary, Northern Steel (Nfld) Limited, entered into an agreement in 1970 to sell the building at Wabush Mines, Labrador. The balance is payable in 88 consecutive monthly payments of \$1,000 each including principal and interest at 6-5/8% per annum.

Principal balance pursuant to an agreement of sale . .	\$69,482
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Deduct: payments due within one year included in current assets	7,626
	<u>\$61,856</u>

11. The number of Common shares issued will be increased in the event of conversions of the 6-1/2% cumulative redeemable convertible First Preference shares, Series A, pursuant to the conversion rights attached to such shares. This conversion privilege expires on September 30, 1972.
12. Up to the close of the current fiscal year, 1,471 First Preference shares, Series A, have been converted into fully paid Common shares without par value and 11,768 Common shares were issued on such conversion on the basis of eight Common shares for each one First Preference share, Series A.
13. The Company has undertaken to grant, to certain officers and full-time key employees, options to purchase up to a total of 45,000 Common shares in its capital at \$3 per share, such options to be exercised within such periods as the directors may determine.
14. Subsequent to the year-end the Company omitted paying two regular quarter yearly dividends equalling 97-1/2¢ per share.

